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SUBJECT: SCENESETTER FOR DCMA AMB YATES VISIT TO  
MOZAMBIQUE, DECEMBER 1-3, 2008

11. (SBU) The Embassy warmly welcomes you to Mozambique, widely considered to be an exemplary post-conflict democratic success story in Africa. Following the 2008 visits of Major General Altshuler, Deputy Assistant Secretary of Defense for African Affairs Theresa Whalen, and Deputy Assistant Secretary of State for Africa Carol Thompson, your presence in Mozambique will further accentuate the upswing in bilateral relations. Your participation in the inauguration ceremony of the U.S.-supported Military HIV/AIDS Hospital will again underscore that the U.S. is the largest bilateral donor to Mozambique, one of only two countries in the world benefiting from President Bush's three major initiatives--the Millennium Challenge Corporation (MCC), the President's Emergency Plan for AIDS Relief (PEPFAR), and the President's Malaria Initiative (PMI). The visit will also provide the opportunity to further USG interest in encouraging Mozambique to participate in regional peacekeeping operations.

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A Post-Conflict Success Story  
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12. (U) Since the signing of the 1992 Rome Peace Accord which ended sixteen years of civil war, Mozambique has made significant progress as a young democracy and is rightfully considered a post-conflict success story. The Frelimo party led the independence struggle and has maintained political power since Portuguese colonial rule ended in 1975. Frelimo's military opponent during the subsequent civil war, Renamo, has been the main opposition party since the first elections in 1994. In December 2004 Mozambique held its third presidential and legislative elections. Armando Guebuza won the presidency by a wide margin, defeating Renamo leader Afonso Dhlakama (who also ran unsuccessfully in 1994 and 1999).

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A Democratic Example, But Still Fragile  
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13. (SBU) Voter turnout in the December 2004 presidential and legislative elections was approximately 45 percent, down substantially from the 75 percent turnout in 1999. Although slightly fewer Frelimo voters cast their ballots than did so in 1999, about half of the Renamo supporters did not vote. Some analysts suggest Renamo supporters may have felt cheated in the very close 1999 election and cynically saw little point in participating. International observer groups monitored the elections and indicated that the elections were carried out in a generally successful and peaceful manner but noted there were irregularities in the administration of the elections. All agreed, nonetheless, that final results broadly reflected the will of voters.

14. (SBU) In the December 2004 legislative election Frelimo won 160 out of 250 seats in the National Assembly, just seven short of a two-thirds majority. Renamo won 84 seats and an allied coalition of small parties took the remaining six.

Since 2005 several of these small parties have distanced themselves from Renamo. Renamo's unexpectedly poor showing has led to disarray within the party and Dhlakama's leadership has been called into question. This has weakened any organized opposition to Frelimo, now in power for more than thirty years.

¶5. (SBU) Local elections will be held November 19, 2008 in all 43 municipalities; in 2009, the country will hold its fourth national elections. Renamo failed to re-nominate popular Beira mayor Daviz Simango, allegedly due to his success and potential as a threat to wrest control of Renamo from Dhlakama. Simango is running as an independent and is expected to win. A successful independent candidate could pave the way for a renewed Renamo or a new political party.

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Responsible Economic Stewardship  
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¶6. (U) Since the mid 1980s, the government has broadly followed IMF and World Bank guidelines on economic issues. Mozambique's macroeconomic reforms and success in attracting large investment projects have resulted in an average annual GDP growth rate of eight percent from 1994-2007, the highest in Africa over this time period. The 2008 growth rate is lower, 6.5 percent due, in part, to the difficult world economic situation. Economic growth is from a very low base however, as per capita GDP for 2008 registered around USD 1375. Foreign direct investment, exports, and revenue collection all have increased significantly. U.S. investment in Mozambique has grown steadily, and in 2007 the U.S. was

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the largest foreign direct investor. Most of the state companies have been privatized, with only about one dozen remaining in government hands.

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Aid Community Voicing Concerns; USG Largest Donor  
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¶7. (U) The government receives approximately 50% of its budget directly from foreign aid and this trend is expected to continue despite recent complaints by European donors about the state of democracy, particularly governance and corruption issues. As the line between Frelimo and the government continues to blur, the group of donor nations expressed concern in 2008 that many democracy indicators have not been met. As a result, Sweden, Switzerland, and Denmark recently announced a restructuring of their foreign assistance which appears to reduce the amount of aid provided to Mozambique. The USG is the largest bilateral donor in the country with USD 325 million. In particular, our USD 216 million in PEPFAR funds in 2008 total more than the HIV/AIDS funds committed by all other donors and the Mozambican government combined. Although the USG does not provide direct budget support, we have forgiven all of Mozambique's USD 151 million debt as part of Mozambique's Highly Indebted Poor Countries relief initiative.

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PEPFAR, MCC, PMI: A Unique Mix  
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¶8. (SBU) Mozambique is one of only two countries in the world to receive combined PEPFAR, MCC and PMI support from the USG. The MCC Compact signed in 2007 is on track for implementation. The five-year, \$507 million Compact will reduce poverty through increased incomes and employment by improving water systems, sanitation, roads, land tenure, and agriculture, with a focus on the country's four northern provinces. Despite some frustration about the lengthy negotiation and implementation process, in July the MCC program began advertising tenders to bidders for several of its projects.

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Zimbabwe  
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¶9. (SBU) The GRM has been hesitant to criticize other African governments over human rights violations and historically has abstained from voting on any such resolutions. GRM officials have stated publicly that Mozambique, instead of criticizing actions, prefers to focus on what can be done to address such issues within the regional institutions (e.g. the AU and SADC). Mozambique is the vice-chair of the Political and Defense Organ of SADC and GRM officials have been very involved in the SADC mediation efforts in Zimbabwe. Senior GRM officials explain that it is important for them to keep the channels of communication open with Mugabe, even though they too see the need for some kind of political solution to the ongoing crisis.

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Peacekeeping Operations  
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¶10. (SBU) Mozambique's armed forces (FADM) have benefited from substantial USG military training and assistance, especially through the African Contingency Operations and Training Assistance (ACOTA) program. The FADM successfully participated in the African Union's 2005 peacekeeping operations in Burundi, and has publicly recognized its interest in a higher-profile contribution to peacekeeping operations in Sudan. The Embassy is working to assist FADM in further developing its peacekeeping capacity and we look forward to supporting the GRM's eventual contribution to regional operations.  
Chapman